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MCI

MCI Communications
Corporation

1801 Pennsylvania Ave., NW
Washington, DC 20006
202 887 2741

Michael K. Cahill
Senior Manager
Regulatory Affairs

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FEB - 4 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

EX PARTE

February 4, 1994

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
Room 222
1919 M Street NW
Washington, D.C. 20554

Re: CC Docket 92-77, Billed Party Preference

Dear Mr. Caton,

Attached is a monitoring service report depicting an AT&T television advertisement entitled, Using Your Card Could Be a Problem, which aired on January 5, 1994. The AT&T advertisement depicts a consumer approaching a payphone "wanting to call home." However, "something about the phone tells you using your card could be a problem." Further, "Are you gonna get blocked? Are you gonna get overcharged?" The backdrop for the advertisement is a payphone in a darkened room of a service station.

The AT&T advertisement is another example of consumer distrust of using payphones. AT&T's advertisement depicts public payphones as a "problem" for consumers desiring to reach their carrier of choice. MCI believes it unlikely that AT&T would spend any portion of its "limited" advertising budget on a negative advertising campaign unless it was true that consumers continue to experience problems reaching their carrier of choice from payphones.

MCI contends that AT&T's advertisement reflects, more accurately, the marketplace reality than its recent (January 10, 1994) ex parte presentation wherein AT&T, Comptel, et. al. represented that "all 'public phones' [are] now unblocked and subject to carrier branding" and that "over 60% of transient end users reach their desired interexchange carrier" (See attached ex parte by ALTS dated January 10, 1994).

Also in the January 10 ex parte, AT&T, Comptel, et. al. once again claim BPP implementation costs are "excessive." MCI previously rebutted Comptel's flawed BPP Study (See attached MCI ex parte dated November 23, 1993).

In addition, the Commission should recall that AT&T is the same Company that, "characterizes 800 and 950 access as inefficient dialing protocols that some carriers have found unnecessary to

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Mr. William F. Caton
February 4, 1994
Page 2

establish and contends that establishment of such access would be prohibitively expensive and cause a degradation in service" (see para 39, Order on Reconsideration, CC Docket No. 91-35, FCC 92-275, Released July 10, 1992).

In summary, the Commission has sufficient evidence in the record to move forward with implementation of Billed Party Preference. BPP is clearly in the public interest, if for no other reason, the fear consumers have when using payphones documented in AT&T's advertising campaign -- a significant problem with this portion of the public switched network. MCI's previous cost analysis, filed in this proceeding, documents that the cost of BPP is reasonable.

Sincerely,



Michael K. Cahill

cc: Mr. Rudy Baca
Mr. James Coltharp
Ms. Kathleen Levitz

Ms. Karen Brinkman
Mr. Mark Nadel

Attachments



**VIDEO MONITORING
SERVICES
OF AMERICA, INC.**

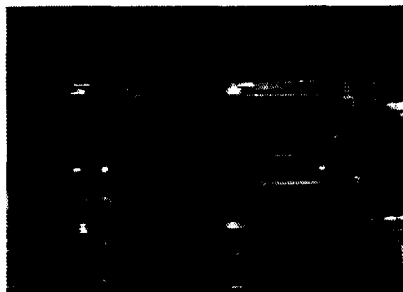
330 WEST 42ND STREET,
NEW YORK, NEW YORK 10036
(212) 736-2010

A **BURRELLE'S** Affiliate

PRODUCT: AT&T
LENGTH: :30
MARKET: Network
PROGRAM: George
CODE #: 9401-0502
TITLE: Using Your Card Could Be A Problem

STATION: ABC
DATE: 01/05/94

TIME: 8:51 PM



(BKGD MUSIC) (SFX: RAIN) MALE
ANNCR: You're late.



You wanna call home.



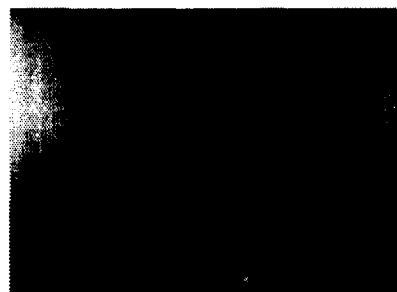
But something about that phone
tells you



using your card could be a
problem.



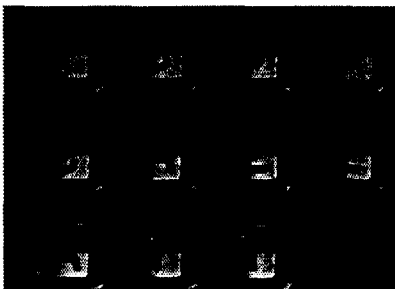
Are you gonna get blocked? Are you
gonna get overcharged?



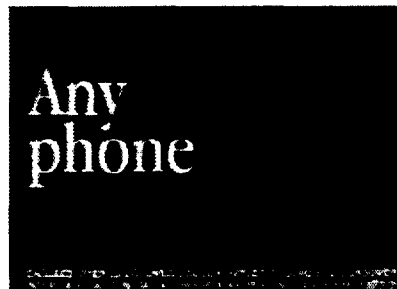
WOMAN: I think not.



ANNCR: Now there's a new way to
get through.

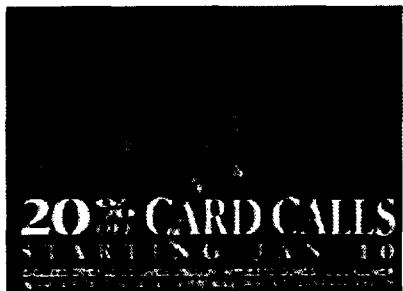


Just dial 1-800 C-A-L-L A-T-T.



Any
phone

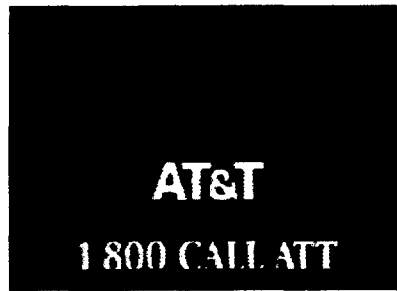
It makes any card work from any
phone, anytime. (GRFX: EXCLUDES
OTHER I.D. CO. CARDS. DISCOUNT
APPLIES TO DOMESTIC CONSUMER
INTERSTATE CALLS. INTRASTATE



Try it now and save 20%. (WHERE
AVAIL. PENDING TARIFF EFF. EXP.
3/31)



FEMALE VOCALISTS: Your true voice.
(MUSIC ENDS)



AT&T
1 800 CALL ATT

(ENDS IN SILENCE)

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MCI Communications
Corporation

1801 Pennsylvania Ave., NW
Washington, DC 20006
202 887 2731

Michael Hydock
Sr. Staff Member
Regulatory Affairs

November 23, 1993

EX PARTE

Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

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NOV 23 1993
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: MCI Telecommunications Corporation's response to request for
information in Docket No. 92-77, Billed Party Preference

MCI is providing the following material at the request of Gary Phillips and Mark Nadel of the Policy and Planning Division. The focus of this attachment is MCI's position on a COMPTTEL study of billed party preference.

If you have any questions, please do not hesitate to call me directly at (202) 887-2731.

Respectfully,

Michael Hydock
MCI Telecommunications Corporation
Federal Regulatory

cc: Gary Phillips
Mark Nadel

MCI REBUTTAL TO THE COMPTTEL BPP STUDY

The COMPTTEL study maintains that the total market for 0+ calling is \$9.8 billion in revenue, with 3.3 billion calls. However, COMPTTEL argues that in many instances, the billed caller is actually reaching their preferred operator service provider (OSP). According to COMPTTEL, only .633 billion calls would be re-routed to the OSP of choice under a BPP scenario.

To reach this conclusion, COMPTTEL deducts 2.08 Billion that it claims represents calls where the presubscribed and preferred carrier are identical. Also excluded are .33 billion in dial-around calls where the caller uses an access code to reach an OSP of choice, and .257 billion that were transferred to an IXC of choice based on LEC operator screening.

In sum, COMPTTEL argues that BPP would only benefit 633 million or 19 percent of all calls.

Other disadvantages of BPP alleged by COMPTTEL include: increased cost of access for hospitality and institution traffic, and the need to interface with both the LEC and IXC operator (double operator problem).

COMPTTEL claims that LEC costs will be in the range of \$950 million in capital and \$175 million in annual operating costs for the 7 RBOCs and GTE. COMPTTEL estimates that industry totals will be \$2 billion for all LECs and IXCs. COMPTTEL estimates that annual ratemaking costs are between \$400 to \$ 625 million, and the cost per benefitted call under COMPTTEL's definition is 63 to 99 cents per call.

COMPTTEL admits that the public pays over \$500 million in higher than otherwise required rates to fund commission payments paid by OSPs to have payphones pre-subscribed to them. However, COMPTTEL argues that: the FCC will grant compensation for BPP dial-around at a rate of 35-50 cents per call; hotels will institute surcharges on 0+ traffic to replace their commissions; and, institutions will require tax payer funds to make up for lost commissions.

MCI REBUTTAL

COMPTTEL's study of billed part preference is fatally flawed in several regards. It's presentation only serves to distort information that is currently on the record.

COMPTTEL makes three major errors in its study:

A. It excludes the vast majority of operator-handled calls, despite the fact that the customers making these calls will not only use BPP, but benefit from BPP though

assurance that they are reaching their carrier of choice, and have ubiquitous access to 0+ dialling convenience.

B. It takes as given the cost estimates filed by the LECs, which MCI has shown to be excessive by over 40 percent. It does not attempt to distinguish between relevant and irrelevant costs, and it mistakenly assumes that the filed costs, which are conservative ESTIMATES, are all legitimately tied to the provisioning of only billed party preference.

C. It makes insupportable assumptions regarding the impacts of BPP on the excessive commission payments paid to premise owners.

COMPTEL excludes the 2 billion calls made by AT&T subscribers at AT&T-subscribed pay and private telephones from any sort of benefit measure of BPP. It also excludes other operator calls as well. This is totally incorrect. First, under BPP, AT&T customers, just like any other company's customers, will benefit from the ability to reach AT&T on a 0+ basis from any telephone, not just those presubscribed to AT&T. Second, excluding these calls is as meaningful as excluding all current AT&T 1+ calls today if one were to evaluate the benefits of equal access and pre-subscription in the 1+ market. All long distance customers, not just non-AT&T customers, have benefitted from the lower prices and increased services that are available today because of the competition fostered under the 1+ presubscription environment.

COMPTEL takes the filed estimates of the LECs for the costs of deploying BPP as given. In reality these cost estimates are in dispute, and the Commission has not ruled on the appropriateness of any of these costs. MCI believes that these costs have been over-inflated by 40 percent, including items that LECs would normally be deploying to support generic network upgrades and normal traffic growth. Moreover, the LECs have included 100 percent of the software costs to support BPP, despite the fact that this software will be used to support other LEC services.

Based on MCI's estimate of the actual costs of deploying BPP and the actual market demand that would be served by BPP, the per-call costs of BPP should be in the range of 10 cents per call. MCI believes that the 10 cents per call will be offset to the end user by reduced commission payments and price competition that will be focussed on the end user.

C. COMPTEL erroneously argues that BPP will not cause commission payments to diminish, but rather will change the form in which these payments will occur. First, COMPTEL states that the FCC will adopt additional compensation for premise owners if BPP is ordered, just as it did when it required premise owners to unblock 950 and 1-800 and 0+10XXX access. COMPTEL also states that this compensation might be on a per-call basis of 35-50 cents per call. COMPTEL also alleges that the hospitality industry will assess more surcharges for 0+ calling to make up for the loss of commissions, while institutions will ask for more tax payer funds.

To date the Commission has not addressed whether any compensation will be paid

to premise owners under BPP. To date it has allowed a \$6 per month compensation for dial-around traffic allocated among OSPs on a percentage of revenue basis. It found that because of measurement problems, a per-call charge was not feasible. Whether the hospitality industry introduces new surcharges will be determined by the market conditions in the hospitality industry. What is clear, however, is that carriers will no longer have any incentive to pay large commissions for traffic aggregated by locational monopolists. Rather carriers will focus competitive efforts on the end users of operator services.

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JAN 10 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

January 10, 1994

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William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street N. W.
Room 222
Washington, D. C 20554

RE: Ex Parte Presentation in CC Docket No. 92-77

Dear Mr. Caton:

Pursuant to Section 1.1206(a)(2) of the Commission's Rules, 47 C.F.R. sec 1.1206(a)(2), the Association for Local Telecommunications Services (ALTS) hereby files an original and two copies of this letter concerning: 1) a meeting held by myself on behalf of ALTS, James M. Smith and Genevieve Morelli of the Competitive Telecommunications Association, Robert Castellano of AT&T, Cindy Schonhaut of MFS Communications, Jean Kiddoo of the law firm of Swidler & Berlin with Rudy Baca, legal advisor to Commissioner Quello, on January 5, 1994 and 2) meetings held by myself, James Smith, Genevieve Morelli, Robert Castellano, Cindy Schonhaut and J. Manning Lee of TCG with Kathleen Levitz, Acting Chief, Common Carrier Bureau, Mark Nadel, Common Carrier Bureau, Karen Brinkmann, legal advisor to Chairman Hundt, Linda Oliver, legal advisor to Commission Duggan and James Coltharp, special assistant to Commissioner Barrett, on January 6, 1994. The purpose of these meetings was to discuss the issues outlined on the attachment to this letter

Please direct any inquiries into the above matter to the undersigned.

Sincerely,

Heather Burnett Gold
President

cc: Rudy Baca
James Coltharp
Kathleen Levitz
ITS

Karen Brinkmann
Linda Oliver
Mark Nadel

attachment

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JAN 10 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

BILLED PARTY PREFERENCE: AN IDEA WHOSE TIME HAS PASSED

AN EX PARTE PRESENTATION IN CC DOCKET NO. 92-77 BY:

*ASSOCIATION FOR LOCAL TELECOMMUNICATIONS SERVICES
AT&T
COMPETITIVE TELECOMMUNICATIONS ASSOCIATION
MFS COMMUNICATIONS
TCG*

BILLED PARTY PREFERENCE: AN IDEA WHOSE TIME HAS PASSED

*The Public Interest Concerns Which Led to the Proposal Have Been Resolved by
Intervening Events*

- TOCSIA implementation -- all "public phones" now unblocked and subject to carrier branding
- Interexchange carriers have been (and will continue) actively marketing and educating their customers to use "dial around" products -- FCC Report to Congress (December 1992) found that access code dialing had achieved wide acceptance
- Even today, over 60% of transient end users reach their desired interexchange carrier without any additional processing (i.e. IXC's customer uses a payphone presubscribed to her/his carrier)
- Many other operator-assisted calls (i.e. "0-" calls, coin-sent paid, collect) are routed to carrier of choice through live operator intervention

The Cost to Implement the System Is Excessive - Particularly When Unnecessary For Vast Majority of Calls

- Estimated implementation cost - \$1.5 billion -- Would result in an additional charge of \$0.63 per call benefitted by BPP

The Implementation of BPP Would Undermine Commission Public Policy Objectives in Other Matters

- Would impede development of competition for local access services -- Interexchange carriers and aggregators would not be able to use any alternatives to existing local exchange carrier for operator-assisted services or traffic
- Would undermine most efficient use of network -- Large users would be precluded from using special access for operator-assisted traffic or services
- Would contravene FCC policies which favor unfettered CPE interconnection and payphone competition